



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
One Ashburton Place, Room 1109
Boston, Massachusetts 02108

MITT ROMNEY
Governor

KERRY HEALEY
Lieutenant Governor

December 1, 2005

RE: Message to Providers to Clarify the Issue of Percentage of Salary Increase

Dear Purchase-of-Service Provider:

For Fiscal Year 2006 the Executive Office of Health and Human Service has based the Salary Reserve calculations on an adjusted "roll" of the survey data that your organization provided for your salary reserve eligible employees last year, FY05.

The funds allocated to provider organizations for FY '06 were calculated based on the fixed values dictated by the Salary Reserve Act of 2005. As required by this Act, \$20,000,000 is to be dedicated to the Salary Reserve, of which \$14,000,000 is allocated for eligible human service agency personnel earning less than \$25,000, and \$6,000,000 is allocated for eligible employees with salaries from \$25,001 to \$40,000, for the period of July 1, 2005 to June 30, 2006.

From the above dollar amounts fixed by the legislation, EOHHS calculated the salary increase percentage guidelines based on the two salary categories. Our analysis determined that employees earning under \$25,000 shall receive an increase of approximately 3.04%, and employees earning between \$25,001 and \$40,000 shall receive an increase of approximately 1.81%.

The Salary Reserve Statute of 2005 does not determine the actual percentage of the salary increase. Providers should use the percentages calculated by EOHHS as a guide. However, a provider may not be able to come close to the 3.04% for employees earning under \$25,000 and the 1.81% for employees earning between \$25,001 and \$40,000. In some cases providers may need to depart from the exact percentages due to expansion or significant shift in personnel (i.e. changes in the number of eligible staff, employees who moved from one category to another, temporary vacancies, new employees or a reduction in employees in a given category).

As mentioned before, provider organizations may use up to 15% of their allocation to cover the employer's portion of payroll and fringe benefit obligations directly associated with this increase in salaries.

In all cases, the percentage of the salary increases in each category must be based on the total amount of salary reserve funds allocated to the organization by EOHHS' Salary Reserve Contract for FY 2006 and must be in keeping with the intent of the Salary Reserve Act, which was to allocate a higher proportion of the Reserve appropriation to workers earning less than \$25,000.

Providers may determine their salary increase percentage in each category as long as they distribute the amount allocated to their organization strictly abiding by the Salary Reserve Statute and its determination of staff eligibility and the two clearly determined salary categories. In keeping with the intent of the statute to raise the salaries of personnel, providers must treat eligible employees in an equitable manner. To maintain the integrity of the Salary Reserve, providers may not allocate the funds based on merit, seniority or other internal organization policies.

If a provider has significant concerns regarding their allocation please contact the purchasing agency or the EOHHS salary reserve contact to discuss.